

LAND BOARD AGENDA ITEM

June 20, 2011

**FINAL APPROVAL FOR SUBSTITUTION OF PURCHASE FUNDS
FOR CHAMBERLAIN LAND BANKING ACQUISITION
MISSOULA & POWELL COUNTIES****Background:**

On June 21, 2010 the Board of Land Commissioners granted final approval to purchase 14,582 acres of timber land south of the Blackfoot River from The Nature Conservancy. The purchase funds were acquired through land banking sales of lands held in trust for Common Schools, Public Buildings and Pine Hills.

The breakdown of purchase funds and acres purchased is detailed below.

Trust	Purchase Funds	Acres Purchased
Common Schools	\$5,425,140	13,093
Public Buildings	\$359,940	1,049
Pine Hills	\$150,920	440
Total	\$5,936,000	14,582

The Department would have preferred to make the entire purchase with Common Schools funds, but sufficient funds weren't available at closing. Managing the lands for one beneficiary, Common Schools, is a more cost effective scenario then managing for multiple trusts.

Proposal:

The Department proposes to reimburse the Public Buildings land banking funds account with \$359,940 of Common School land banking funds, plus interest that would have been earned from July 23, 2010 to June 20, 2011 (\$514.94) and Pine Hills land banking funds account with \$150,920 of Common School land banking funds, plus interest that would have been earned from July 23, 2010 to June 20, 2011 (\$215.91). Common Schools would then become the beneficiary for the 1,489 acres currently held for Public Buildings and Pine Hills.

The \$359,940 returned to the Public Buildings and \$150,920 returned to the Pine Hills land banking sale funds would continue to be held until sufficient funds are acquired for Public Buildings and Pine Hills acquisitions. Funds in this account earn interest that is distributed annually to beneficiaries.

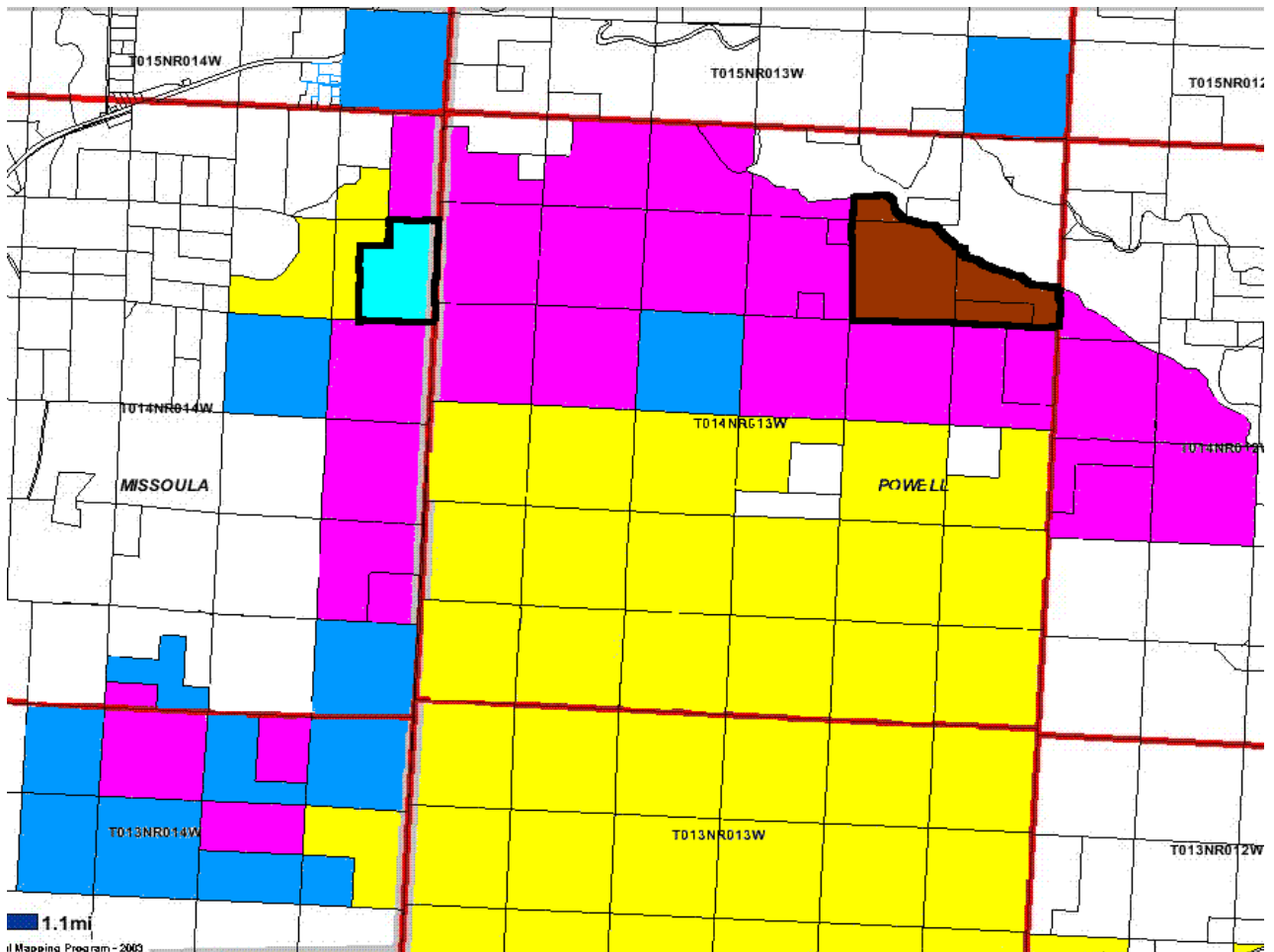
Common Schools sale funds that will be used for the reimbursement had an Average Annual Rate of Return of .25%. The Chamberlain lands have an Annual Rate of Return over 60 years of 1.6%.

Recommendation:

The Director recommends final approval of the substitution of Common Schools land banking sale funds for the purchase of 1,489 acres of forestland, which was originally purchased with Public Buildings and Pine Hills land banking sale funds. It is anticipated the transaction will be completed by June 21, 2011.

Map of Chamberlain Acquisition Parcels

E½, SE¼NW¼, E½SW¼, Section 12, T14N, R14W (Pine Hills Trust)
SW¼ less Tract A COS 541RB, Section 2, T14N, R13W (Public Building Trust)
ALL less Tract B-2 COS 541 RB, Section 11, T14N, R13W (Public Building Trust)
ALL less Tract B-2 COS 541RB, Section 12, T14N, R13W (Public Building Trust)



Outline of Pine Hills and Public Building parcels

Pink is the original Common School Trust Allocation,
Aqua is the original Pine Hills Trust Allocation,
Brown is the original Public Buildings Trust Allocation,
Blue is State Lands previously owned,
Yellow are BLM Lands,
White is Other Private Lands